

Title:

Pua vs. Spouses Lo Bun Tiong and Teng: Revisiting the Evidentiary Value of Checks in Proving Indebtedness

Facts:

Ting Ting Pua filed a Complaint for a Sum of Money against respondents Benito Lo Bun Tiong and Caroline Siok Ching Teng, claiming repayment for loans amounting to PHP 8,500,000, evidenced by a check. Pua contended that the couple obtained loans from her at a 2% compounded interest agreement since 1988, for which 17 dishonored post-dated checks were issued. Despite demands, the couple only settled to repay PHP 8,500,000 in 1996 via an Asiatrust Check, which eventually was also dishonored.

Respondents denied any loan obligation, alleging the check in question was among pre-signed checks left with Pua's sister, Lilian, for a failed mahjong business venture. The Regional Trial Court (RTC) initially sided with Pua but only awarded the principal amount due to the absence of a written agreement on interest rates. The Court of Appeals (CA) reversed this decision, leading to a Supreme Court (SC) review upon Pua's Petition for Review on Certiorari.

Issues:

1. Whether the checks in possession of Pua sufficiently proved the existence of the loan obligations.
2. Whether the CA erred in ruling that respondents were not proven indebted to Pua.
3. Whether the interests on the loan should be payable despite no written agreement.
4. The applicability of legal interest rates on the adjudged sum due to Pua.

Court's Decision:

The SC granted Pua's motion for reconsideration, setting aside its previous resolution and the CA's decision. The Court highlighted the evidentiary value of checks under the Negotiable Instruments Law, which presumes the existence of a consideration for checks issued and delivered. Thus, the 17 checks issued by Caroline Siok Ching Teng in 1988 and the Asiatrust check in 1996 were deemed sufficient proof of respondents' indebtedness to Pua. The SC directed respondents to jointly and solidarily repay Pua the principal loan amount of PHP 1,975,000 plus a 6% annual interest from the date of demand and attorney's fees amounting to PHP 200,000.

Doctrine:

- Checks as Evidentiary Proof of Obligation: A check constitutes evidence of indebtedness and functions as a presumption of an obligation.
- Absence of Written Interest Agreement: Under Article 1956 of the Civil Code, interests on loans are only due when expressly stipulated in writing.

Class Notes:

- **Evidence of Indebtedness:** Possession of a negotiable instrument (e.g., checks) issued by the debtor raises a presumption of an underlying financial obligation.
- **Legal Interest Rates:** In the absence of express stipulation, the legal interest for loans or forbearance of money is set at 6% per annum starting from the demand (BSP Circular No. 799).
- **Conjugal Partnership Liability:** A conjugal partnership can be held liable for debts and obligations contracted by either spouse if it benefited the family, even without the consent of the other spouse.

Historical Background:

This case illustrates the pivotal role of documentary evidence in litigations involving financial transactions and the stringent requirements for enforcing interest payments on loans. It further emphasizes the legal significance of checks not just as financial instruments but also as proof of obligations, reflecting the nuanced application of the Negotiable Instruments Law in proving indebtedness and the adherence to the Civil Code's provisions on interest payments in the Philippines.